

## Press Release

### Flourish Paper and Chemicals Limited

December 23, 2019



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 14.00 Cr.
<b>Long Term Rating</b>	ACUITE D (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE D**' (**read as ACUITE D**) on the Rs. 14.00 crore bank facilities of Flourish Paper and Chemicals Limited (FPCL).

Punjab-based FPCL was incorporated in 1995 and promoted by Mr. Anil Mehra, Mr. Sanjay Mahajan and Mr. M.K.Sharma. FPCL is engaged in the manufacturing and trading of chemicals used in paper industry. The manufacturing facilities of the company are located in Derabassi, Punjab with the installed capacity of 18000 MTPA.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the FPCL to arrive at this rating

### Key Rating Drivers

#### Strengths

- **Experienced management and long track record of operations**

FPCL is promoted by Mr. Anil Mehra, Mr. Sanjay Mahajan and Mr. M.K. Sharma who are seasoned players in the chemical industry having an experience of around three decades. Further the company has an established track record with more than two decades of operations.

#### Weaknesses

- **Delays in servicing debt obligations**

FPCL has been facing significant liquidity pressure, which has impeded its ability to meet its debt obligation in a timely manner. The account has been persistently irregular on account of continuous delays in the serving of term loan interest.

- **Below average financial risk profile**

The financial risk profile of the company stood below average marked by low net worth, high gearing, average debt protection metrics and coverage indicators. The net worth of FPCL stood at Rs. 4.46 crore as on 31 March, 2019 as against Rs. 7.00 crore as on 31 March, 2018. The fall in net worth is attributable to losses incurred in the business affecting the reserves of the company. The gearing (debt-equity) stood high at 3.43 times as on 31 March, 2019 as against 1.94 times as on 31 March, 2018. The total debt of Rs. 15.34 crore as on 31 March, 2019 mainly comprises Rs. 10.29 crore of long term debt and Rs. 5.05 crores of working capital limits.

Acuité believes that the financial risk profile of the company is expected to remain below average by poor net cash accruals and debt protection matrices.

### Rating Sensitivity Factor

- Timely repayment of debt obligations.
- Substantial improvement in scale of operation, while improving profitability over the medium term.

### Material Covenants

None

### Liquidity Position

The company has poor liquidity marked by poor net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. (1.87) crore for FY2019 while its maturing debt obligations were Rs. 1.40 crore for the same period. The company's working capital operations are intensive marked by gross current asset (GCA) days of 322 days for FY2019. The GCA days of FPCL are high on account of high debtor collection period as evident by the debtor collection period of 161 days in FY2019. The company maintains unencumbered cash and bank balances of Rs. 0.04 crore as on 31 March 2019. The current ratio stands at 1.76 times as on 31 March 2019. Further the bank limit utilization of FPCL stood at around 100 percent for the last 6 months ending on August 2019. Acuité believes that the liquidity of the company is likely to remain poor over the medium term on account of below average cash accrual against debt repayments over the medium term.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	26.19	33.99	32.76
EBITDA	Rs. Cr.	(0.12)	2.66	3.04
PAT	Rs. Cr.	(2.54)	0.27	0.58
EBITDA Margin	(%)	(0.45)	7.84	9.28
PAT Margin	(%)	(9.70)	0.81	1.77
ROCE	(%)	(3.78)	12.71	33.81
Total Debt/Tangible Net Worth	Times	3.43	1.94	2.59
PBDIT/Interest	Times	(0.05)	1.47	1.59
Total Debt/PBDIT	Times	(165.25)	4.50	3.72
Gross Current Assets (Days)	Days	199	194	216

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-4.htm>
- Entities In Trading Sector - <https://www.acuite.in/view-rating-criteria-6.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE D (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE D (Assigned)

Working capital Term Loan	Not Applicable	Not Applicable	Not Applicable	6.75	ACUITE D (Assigned)
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### About Acuité Ratings & Research:

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